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Submission To The Ontario Committee on Taxation

From The County of Ontario

This submission from the County of Ontario will be concerned with some of the broader aspects of municipal taxation. However, a look will be taken at the present incidence of taxation on those engaged in the farming industry.

1. It would seem that one of the first problems to be met is that of local government: the size of the unit. Many of the constituent municipalities in this county, and this is true in other counties, are too small, in population or area, to provide the necessary services demanded today, and have difficulty in raising the money for these services.

(a) This is not to say that, the municipalities, as they are now constituted, do not provide good government or administration within the limit of their resources, but the taxable resources besides being limited are unequally distributed. This will become worse, as the result of the trend, is, to locate residential sub-divisions, industrial plants, and commercial establishments in the south end of the county. This is the area of the County which has the greater population density at present.

(b) This trend also creates a further difficulty tending toward creating dormitory areas of some of our municipalities. The present structure of business assessment also compounds this difficulty, especially in the dormitory suburbs which are adjacent to Metropolitan Toronto or Oshawa. The taxation derived from this source, except for the county levy (where it obtains) goes to the municipality where the industry or commercial business is located, rather than to the area which has to provide the necessary social and municipal services to the population who works in the industrial or commercial area, but live in another place. Metropolitan Toronto or the City of Oshawa are not liable for county rates, and so this limited form of relief is not available to the areas which adjacent to these municipalities.

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(c) Therefore, it would seem the Legislature must enact some provisions for the better distribution of this type of tax resources.

(d) Also that some plan respecting the development of the region or regions must be brought down.

2. Another point: is the steady erosion of the taxing base by the indiscriminate granting, by the Legislature, of tax exemptions. It would seem that the Legislature has taken the easy way out to assist and to dispense aid to, no doubt, worthwhile charities, at the expense of the population of local municipalities. In some instances, the policy of granting this type of tax exemption would seem a fair way, in that some of the favoured institutions do serve the local population. But, in other cases, the institutions, so favoured, do not; they are regional, provincial and national in the work done. Therefore, it is nothing more or less than a forcible gift or subsidy extracted from a local municipality to assist a regional, provincial or national organization. In many instances, the local municipality can ill afford such largess.

(a) There is another category of exempted property; governmental, other than provincial or federal, which receives an exemption. Most of the properties, not all, owned by the senior levels of government contribute to the local municipality and the county where it is located, a grant-in-lieu-of-taxes. This is not true of property owned by other municipalities or counties. This is an area where legislation, to permit such grants, could be enacted.

3. There will be many submissions before your Committee from interested groups, or groups having special interests. Some of these will be valid expositions leading toward tax reforms. Others will be offered as panaceas or cure-alls.

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(a) The single-taxers, perhaps under a new or different name, no doubt, will be there, to advance site-valuation. This was tried in Ontario, between the years 1920 and 1924, when it was

repealed, with a sigh of relief. We are not going to try and meet their argument, either for or against this form of taxation, except to make the statement: we believe that any enactment to this end would be more conducive to greater inequities than at present. In spite of what its proponents claim, we are of the opinion, it would not curtail specualtion. Furthermore, due to the excessive taxation falling on the land by reason of this system much property would come on the tax arrears ledgers. Also, the statement which might be given in support will be that improvements are not taxed, this is erroneous. Any assessor using this system would have to appraise firstly, by setting up a hypothetical structure, and secondly, from this determine the residual land value. This in itself would add immeasurably to the difficulties in assessing properties in a fair and equitable manner.

(b) Other representations, no doubt will be made, for the assessor to assess real property on its income. This system would have merit had we more skilled assessors. This system requires and demands a high degree of competency. At present we have difficulty in recruiting competent professional assessors and it will be some years before needs will be met. This system was also tried in Ontario, and found wanting, from 1850 to 1866. In Britain, and elsewhere, where this system is in force, many difficulties have arisen. There are varying assessment practices, especially undervaluation which is cause, in the main, by the desire to maintain the contributions to the county rates at a low level. (This is not to say, that this practice does not obtain here.)

(c) This submission, however, takes the position that the biggest single step toward tax reform in Ontario would be in assessment administration. The assessing of real property is no longer a simple job, it requires skill and knowledge. It cannot be expected that a satisfactory job can be done by the employment of untrained part-time assessors.

(1) Therefore, it would seem desirable, that assessment might be done over larger units than at present. This would be necessary, in order to have trained full-time assessors, and the necessary equipment for the processing of data. Such a step would

help to ensure a more fair and equitable assessment.

4. However, while a fair and equitable assessment is not only necessary and desirable, this is but one step. The other, is the levying of the tax or rate upon the assessment made. Here is, the heart of the matter, many times the cry is heard, "the assessment is too high". It would be trite to say, but necessary: that it is not always, the assessment that affects the taxpayer but the taxes paid.

(a) The burden of taxation on real property is increasing. This increase is due to many causes: the increased population, the demand for further services both municipal and social etc. Another factor, is the reduction of the tax base, against that of former times. The whole load of maintaining municipal and social services now falls upon real property. A large list of causes and effects could be cited, however, the Committee is no doubt aware of these. This submission will concern itself with but one effect the incidence of taxation upon the farmer.

(b) This is one area, where the present burden of taxation is unduly heavy. The law requires the assessor to assess at actual value: the practice is, of course, to assess at a percentage of this. Is this actual value to be determined by the influence of urbanization upon the rural scene? If so, then the farmer will not be able to pay the high taxes and will have to sell out. This is, in many instances, already happened. Much of the better agricultural land in this county, and elsewhere in the province, is located near the shores of Lake Ontario. This is where the economic activity is taking place and has caused the loss of much, good agricultural land. The tax position has caused the farmer to sell at a low rate and enhanced the profits of the land speculator. It has also contributed to the urban sprawl, by making too much land available. The increase of urbanization in the fringe areas, surrounding the large cities has brought attendant costs of providing municipal and social services. These costs have rebounded on the farmer left in the areas. The economic activity, however, has not helped the farmer, as his income has not increased. It

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has been stated that, since 1946 over two million and a half acres of land in Ontario, one time occupied as farms, have dropped out of agricultural production. In spite of this, the farmers' income has not risen; agricultural prices are still at a very low ebb. We have also, many declining municipalities where it is difficult to maintain a proper level of services. The maintenance of schools, one of the services given and demanded by the taxpayer, is the major cost factor in these, and other municipalities. If these schools are not maintained, at the proper level, at parity, with the surrounding territory the family of the farmer are deprived of the opportunity to become well-trained. A low level of education in the hinterland will eventually affect the city, and the province, and the nation. Our form of society demands more and better education. This means more facilities et cetra. This education is costly, and more so when one looks at the limited resources available to the local municipality who must pay the cost of providing it. The farmer and the urban dweller who has come into his midst. This single item of education is one of the largest which affect the farming community in the county. This cost is rising, while the province has been generous in its grant structure, this is insufficient.

(c) There are two schools of thought respecting taxation: the ability to pay, or, the benefits received. Respecting the former, the farmer has a reduced ability to pay. Regarding the latter, the benefits received are only commensurate if the area contains one class of property. When the farmer is required to support, and even-up-grade, the level of services, both municipal and social, for the urban dweller, who because of the trend toward suburban living comes to live in the community then it becomes extra burdensome and intolerable.

(d) The Legislature, has tried to attack the problem by enacting legislation permitting preferential assessment. However, this we believe, is not an assessment problem but one of taxation and should be so treated. It is our contention, agriculture should be relived of taxes, for social purposes, on the land and buildings used for agricultural uses. This would mean the

dwelling and a standard site should be taxed for all purposes other than those which benefit the land directly. In an evaluation of preferential assessment, before the National Tax Association, in 1961, Dr. Frederick D. Stocker, said:

". . . Preferential assessment of farmland . . . involves tinkering with assessed values. But the basic problem is the speculative scramble for undeveloped land near growing cities. If higher assessed values in the urban fringe are an outgrowth of a speculative rise is farm land values, one answer to the problem, and indeed the obvious one, is to restrain speculation".

(e) It is admitted that such preferential tax treatment for one group of citizens against another breeds certain effects. These effects might be reduced where preferential tax treatment is given, if

(1) a farm or agriculture land is well defined.

(2) some method of tax deferral was instituted or the taxing of the unearned increment. This would need to be studied carefully in order not to penalize the owner who has sold his farm or holding for a moderate raise and has held it for sometime, as against the speculator who has bought the land for a quick turn-over.

(3) The major disadvantage would be the effect of tending to increase the price of farm lands for farming. This, no doubt, would be occasioned by the popular impression that such preferential tax treatment would improve its investment possibilities and thus a greater price than normally would be paid.

(4) Another fault is, exemption breeds exemption; other groups or interest would be seeking the same relief.

5. We, conclude by thanking the Ontario Committee on Taxation for the opportunity of presenting this submission and to wish the Committee a successful conclusion to their deliverations.

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